

MISSOURI LINKED DEPOSIT

Loans to Develop Our Future

2013 Annual Report



CLINT ZWEIFEL
MISSOURI STATE TREASURER

Program Overview

The Missouri Linked Deposit Program is a statutorily created lending program managed by State Treasurer Clint Zweifel and aimed at expanding and strengthening Missouri communities by providing low-interest loans to qualified borrowers for business enhancement, growth and development.

Eligible borrowers include:

- Farms
- Small businesses with up to 99 employees
- Local governments
- Multi-Family Housing
- Alternative-energy focused programs

Program Overview

- The Missouri Linked Deposit Program has been assisting Missouri businesses since 1985.
- Treasurer Zweifel deposits available funds with an approved borrower's banking institution at a below-market interest rate.
- This allows the lender to pass along up to a 30 percent interest-rate reduction to the borrower resulting in an overall savings to the borrower and economic growth for Missouri communities.
- Since taking office, Treasurer Zweifel cut bureaucracy and red tape in the application process while promoting the loan program directly to small businesses and farms through round tables, bank presentations, business group meetings and public outreach.

The Missouri Linked Deposit Program 2013 Annual Report provides a summary of loan activities from October 1, 2012 - September 30, 2013.

The Missouri Linked Deposit Program placed 972 loans in the 2013 program year (PY) for a total loan amount of \$322,358,584.

During the 2013 PY, the Missouri Linked Deposit Program provided a total of 70 loans totaling \$17,223,518 to women-owned businesses and 16 loans totaling \$6,898,436 to minority-owned businesses.

These numbers for women and minority-owned businesses are a significant increase from the 2012 PY, when 31 loans totaling \$11,390,434 were made to women-owned businesses and 6 loans totaling \$2,719,657 were made to minority-owned businesses.

During the 2013 PY, Treasurer Zweifel reached out to the following entities in order to increase minority participation in the Linked Deposit Program:

| Minority & Women Outreach | |
|--|--|
| Office of Administration, Office of Equal Opportunity | |
| Missouri Legislative Black Caucus Foundation | |
| 100 Black Men of Metropolitan St. Louis | |
| MODOT, External Civil Rights | |
| Green and Associates, LLC (Former Director of Office of Administration, Office of Equal Opportunity) | |
| St. Louis Development Corporation | |
| Minority Business Development of St. Louis Development Corporation | |
| Center for the Acceleration of African American Business (CAAAB) | |
| Disadvantaged Business Enterprise - Kansas City | |
| Missouri Coalition of Minority and Women Business Owners | |
| St. Louis Minority Supplier Development Council | |
| National Association of Women Business Owners- Kansas City | |
| National Association of Women Business Owners- St. Louis | |
| MOKAN | |

Top Ten Women-Owned Business Loans

| Loan Amount | MLDP Bank | Loan Type | Region |
|----------------|------------------------------------|----------------|-------------|
| \$1,085,000.00 | OakStar Bank | Small Business | Southwest |
| \$964,000.00 | Bank of Missouri | Small Business | Central |
| \$857,692.00 | First Midwest Bank Of Poplar Bluff | Small Business | Southwest |
| \$818,000.00 | Adams Dairy Bank | Small Business | Kansas City |
| \$750,000.00 | Guaranty Bank | Small Business | Southwest |
| \$660,785.00 | Adams Dairy Bank | Small Business | Kansas City |
| \$602,900.00 | Mid America Bank | Small Business | Central |
| \$550,000.00 | Wood And Huston Bank | Small Business | Southwest |
| \$525,000.00 | Mid Missouri Bank | Agriculture | Southwest |
| \$518,965.00 | Commerce Bank | Small Business | Northwest |

Women-Owned Business Loans by Region Totals

| Region | Loan Amount | Number of Apps. |
|----------------------|------------------------|-----------------|
| Northwest | \$884,061.00 | 4 |
| Northeast | \$1,191,647.00 | 10 |
| Kansas City | \$3,507,561.00 | 10 |
| Central | \$5,206,644.00 | 25 |
| St. Louis | \$1,538,033.00 | 7 |
| Southwest | \$4,537,124.00 | 12 |
| Southeast | \$358,448.00 | 2 |
| Region Totals | \$17,223,518.00 | 70 |

Top Ten Minority-Owned Business Loans

| Loan Amount | Bank Name | Loan Type | Region |
|----------------|--------------------|----------------|-------------|
| \$1,346,000.00 | Hawthorn Bank | Small Business | Kansas City |
| \$818,000.00 | Adams Dairy Bank | Small Business | Kansas City |
| \$814,492.00 | Commerce Bank | Small Business | Kansas City |
| \$660,785.00 | Adams Dairy Bank | Small Business | Kansas City |
| \$551,753.00 | Legends Bank | Small Business | Central |
| \$500,000.00 | KCB Bank | Small Business | Kansas City |
| \$457,105.00 | Adams Dairy Bank | Small Business | Kansas City |
| \$375,678.00 | Commerce Bank | Small Business | St. Louis |
| \$354,806.00 | Commerce Bank | Small Business | Kansas City |
| \$322,200.00 | Bank of Kirksville | Small Business | Northeast |

Minority-Owned Business Loans by Region Totals

| Region | Loan Amount | Number of Loans |
|----------------------|-----------------------|-----------------|
| Northwest | \$54,000.00 | 1 |
| Northeast | \$322,200.00 | 1 |
| Kansas City | \$4,951,188.00 | 7 |
| Central | \$874,694.00 | 4 |
| St. Louis | \$696,354.00 | 3 |
| Southwest | 0 | 0 |
| Southeast | 0 | 0 |
| Region Totals | \$6,898,436.00 | 16 |

A total of 59 loans totaling \$23,077,636 were provided to veteran-owned businesses within Missouri.

The number of veteran-owned business loans increased by 41 with a loan amount increase of \$13,488,498.

| PY | Veteran Loans | % of MLDP Portfolio |
|------|-----------------|---------------------|
| 2013 | \$23,077,636.00 | 7.2% |
| 2012 | \$9,589,137.79 | 2.6% |

During PY 2013, the Missouri Linked Deposit Program experienced a decrease of \$48,295,957.79.

The decrease can be attributed to the following factors:

- An uncertain economic environment for business owners,
- Market-wide, low-interest rates and
- Market-wide decrease in loan volume.

Economic Challenges

- Business owners are reluctant to take on more debt because of other pending matters such as other economic and political uncertainties.
- According to published reports, business owners feel that it is more challenging to get a loan now than it was four years ago.

Rate Environment

The Missouri Linked Deposit Program was created to lower interest rates. However, the low-interest rate climate we are experiencing has made it challenging for some banks to use the program.

Decrease in Loan Volume

According to the Federal Reserve Bank many banks decreased loan volume in the last year.

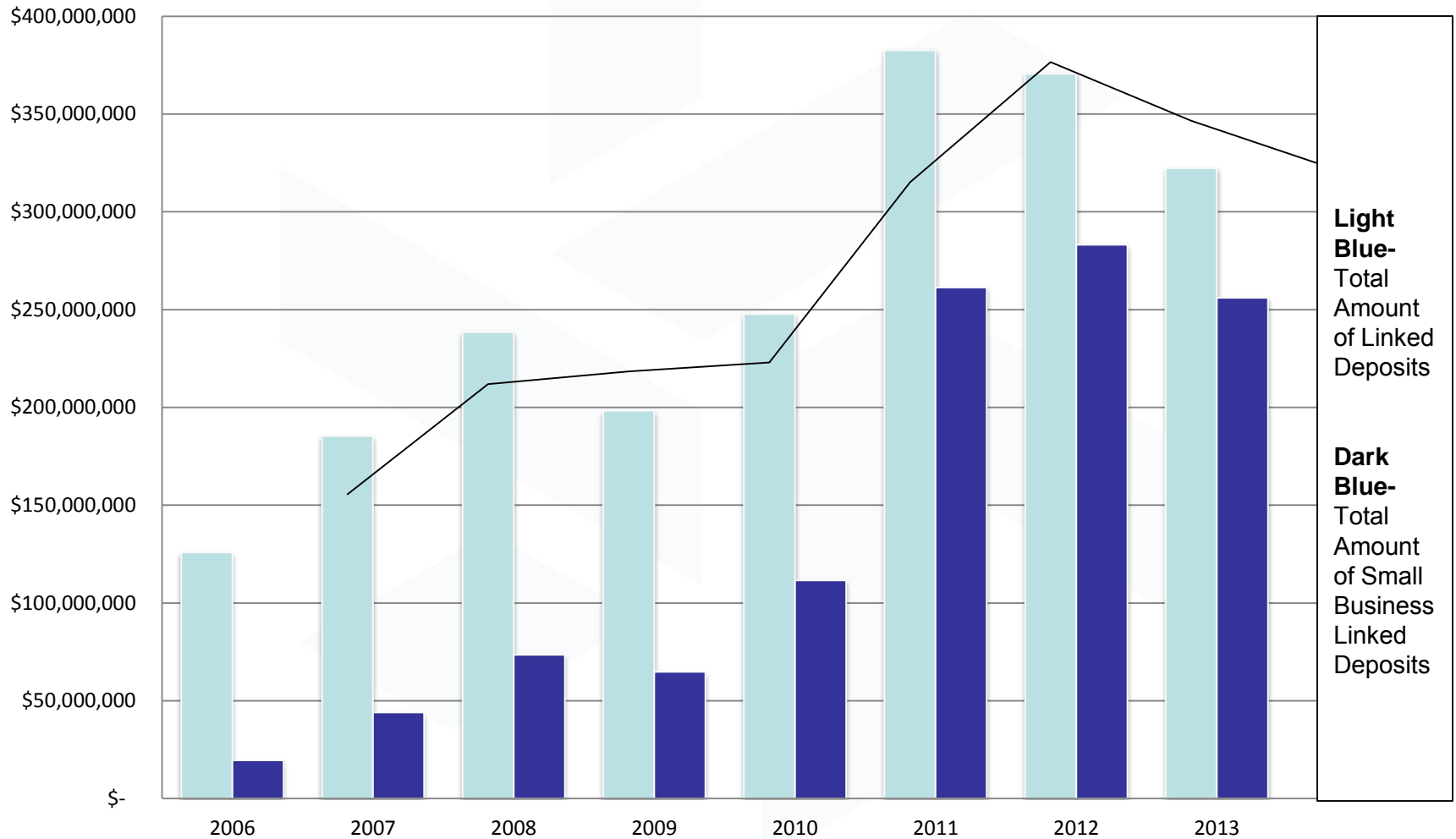
Treasurer Zweifel's Office will continue to talk with participating lenders, find new markets and under-utilized banks. The Missouri Linked Deposit Program continues to be an asset for Missouri qualified borrowers.

Total Missouri Linked Deposit Program loans in PY 2013 experienced a decrease of 13%.

Specifically, total Missouri Linked Deposit Program loans in PY 2013 totaled \$322,358,584 representing a decrease of \$48,295,957 from the PY 2012 total loan amount of \$370,654,541.

| PROGRAM YEAR | TOTAL LOAN AMOUNTS | PERCENT INCREASE/DECREASE |
|--------------|--------------------|---------------------------|
| PY2013 | \$322,358,584 | -13 % |
| PY 2012 | \$ 370,654,541.79 | -3% |
| PY 2011 | \$ 382,572,219 | 54% |
| PY 2010 | \$ 247,746,040 | 25% |
| PY 2009 | \$ 198,300,000 | -15% |
| PY 2008 | \$ 234,027,616 | 26% |
| PY 2007 | \$ 185,318,905 | 47% |
| PY2006 | \$125,821,095 | |

Summary of Missouri Linked Deposit Loan Amounts by Year



Percentages of loan category allocations for PY 2013 compared to PY 2012:

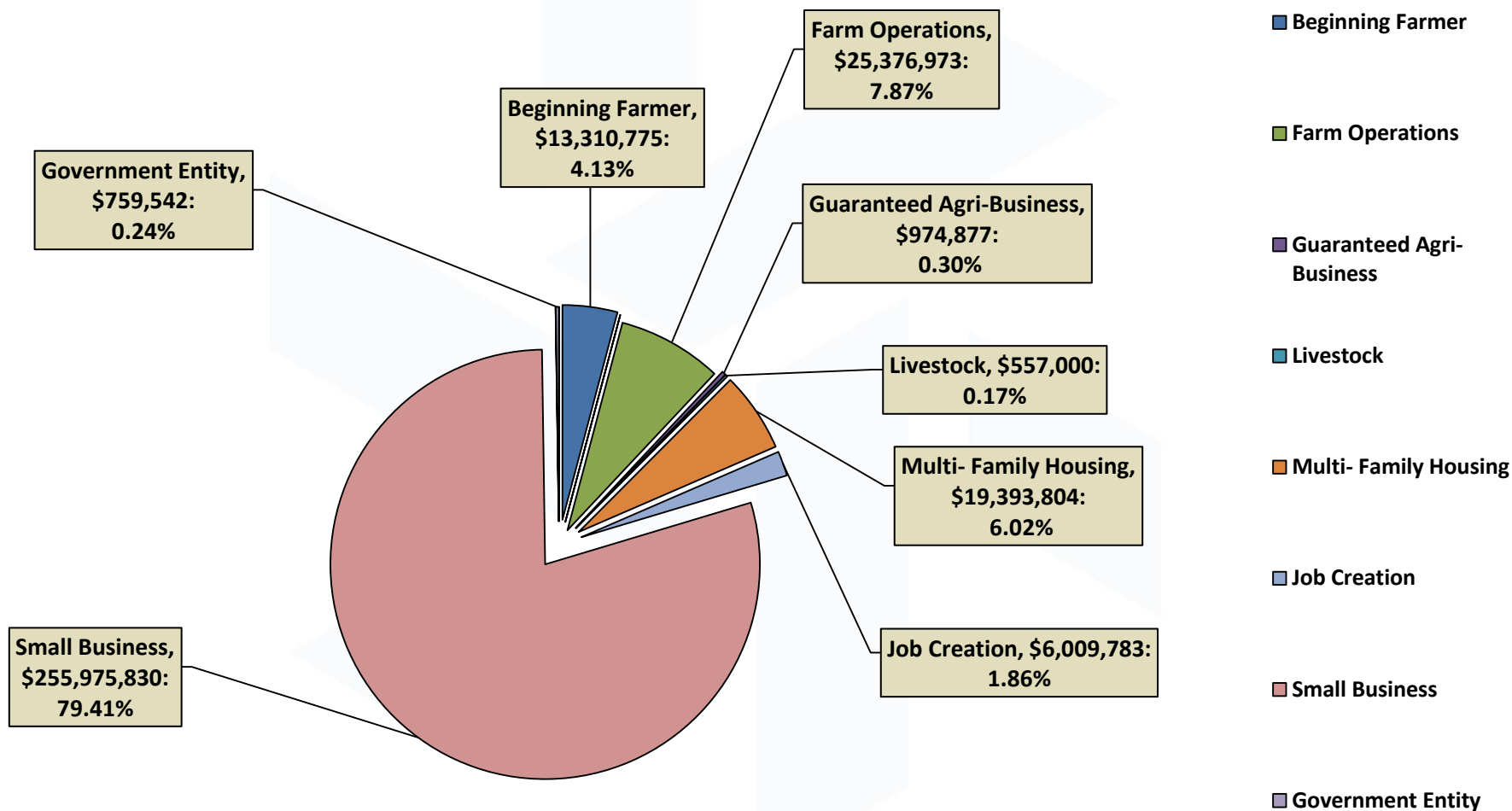
| MLDP Category | 2012 | 2013 |
|--------------------------|------|--------|
| Small Business | 53% | 78.41% |
| Guaranteed Agri-Business | 18% | 0.30% |
| Farm Operation | 17% | 7.87% |
| Beginning Farmer | 8% | 4.13% |
| Housing | 2% | 6.02% |
| Livestock | 1% | 0.17% |
| Government Entity | <1% | 0.24% |
| Job Creation | <1% | 1.86% |

COMPARISON OF TOTAL LOAN AMOUNTS BY CATEGORY

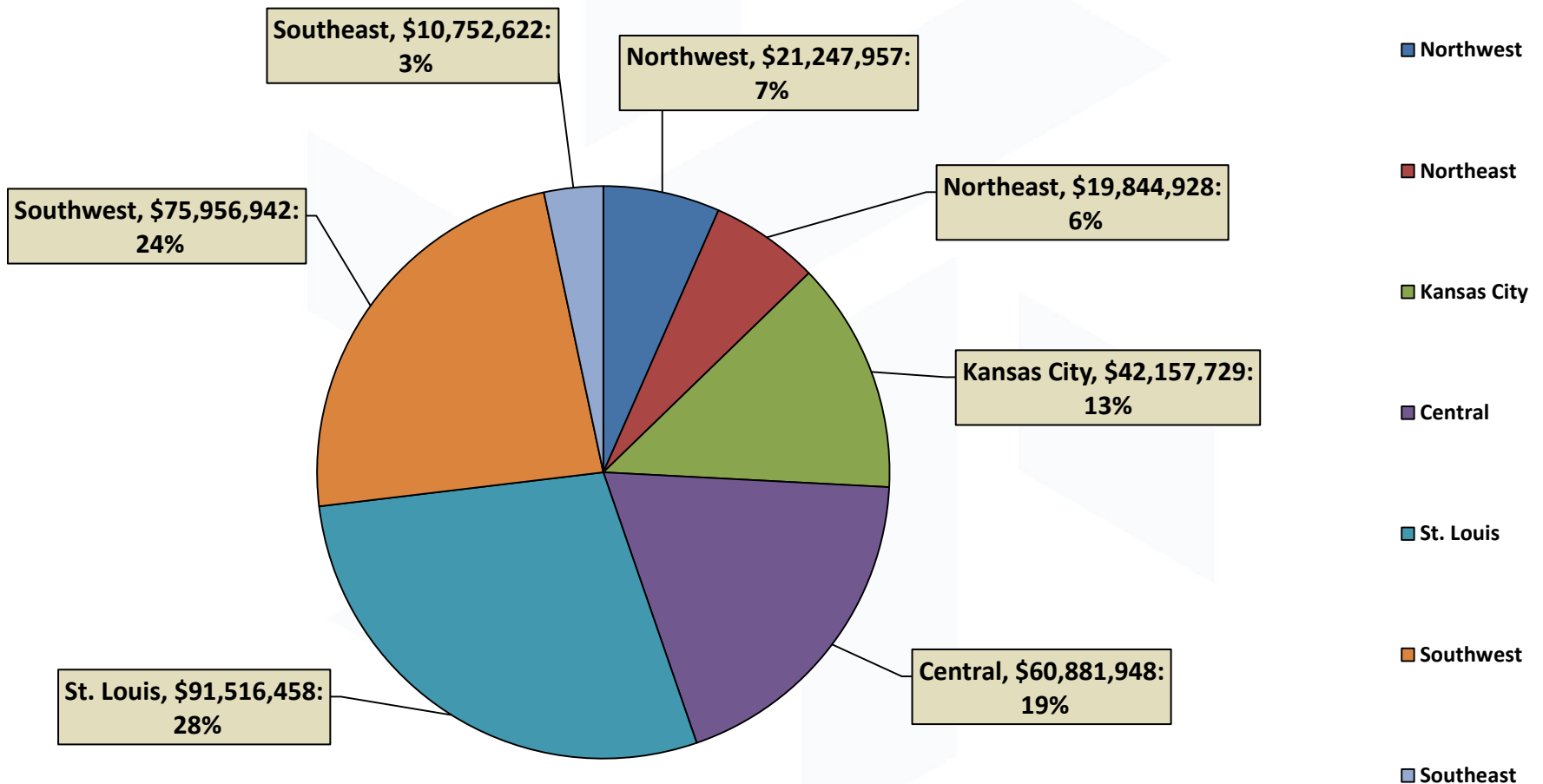
| Program | PY Ending 9/30/2011 | PY Ending 9/30/2012 | PY Ending 9/30/2013 |
|--------------------------|------------------------|------------------------|------------------------|
| Beginning Farmer | \$23,767,427 | \$ 18,707,385 | \$13,310,775 |
| Facility Borrower | \$0 | \$ 0 | \$0 |
| Farm Operations | \$62,897,936 | \$ 38,649,126 | \$25,376,973 |
| Guaranteed Agri-Business | \$5,843,821 | \$ 3,344,905 | \$974,877 |
| Livestock | \$1,842,223 | \$ 1,320,143 | \$557,000 |
| Multi-Family Housing | \$18,315,545 | \$ 15,904,099 | \$19,393,804 |
| Job Creation | \$7,559,658 | \$ 8,288,250 | \$6,009,783 |
| Small Business | \$261,286,143 | \$ 283,179,091.79 | \$255,975,830 |
| Alternative Energy | \$0 | \$ 0 | \$0 |
| Government Entity | \$1,059,466 | \$ 831,542 | \$759,542 |
| Agri-Business | \$0 | \$ 430,000 | \$0 |

2013 Missouri Linked Deposit Program Loan by Category

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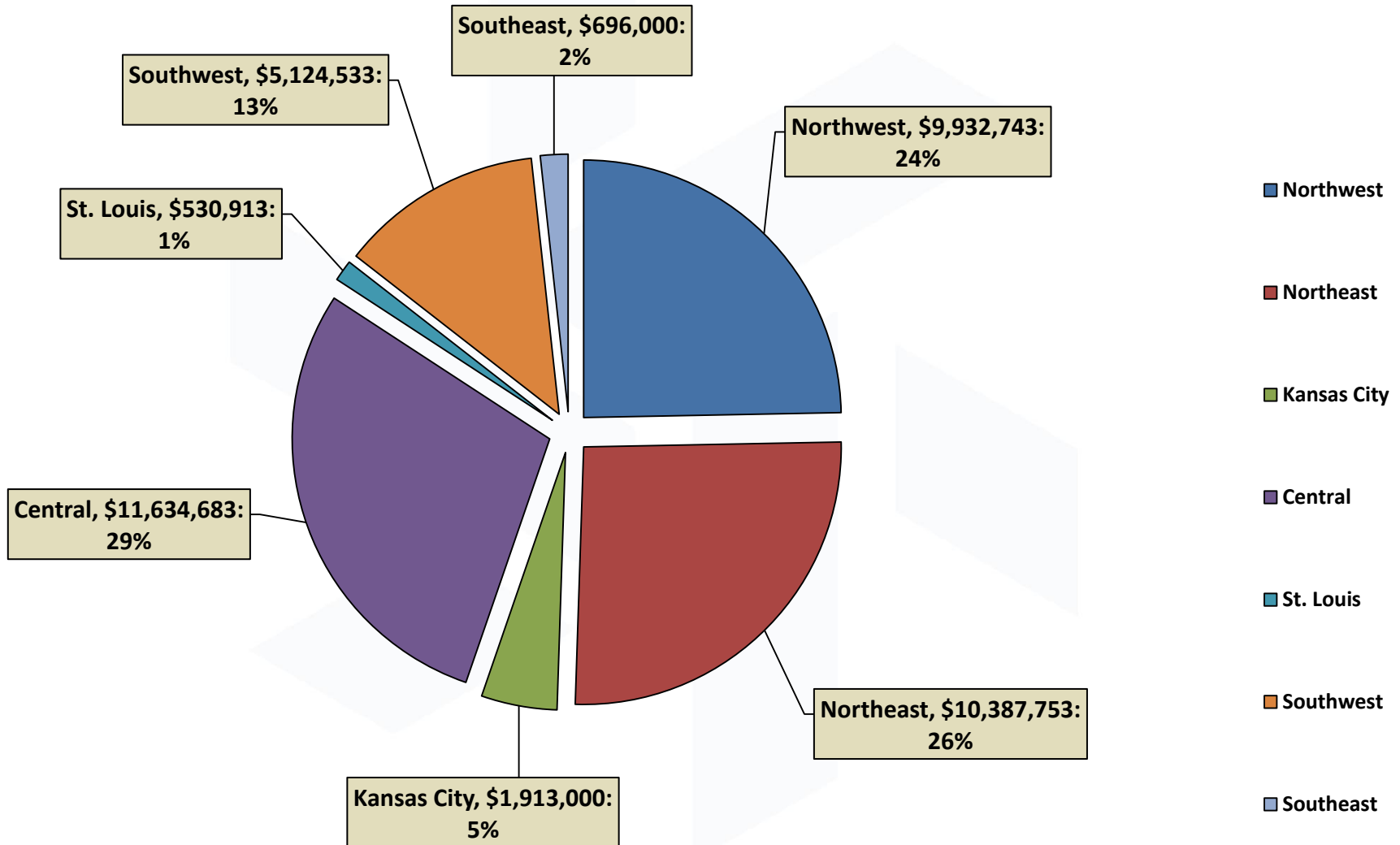


2013 Missouri Linked Deposit Loan Program by Region



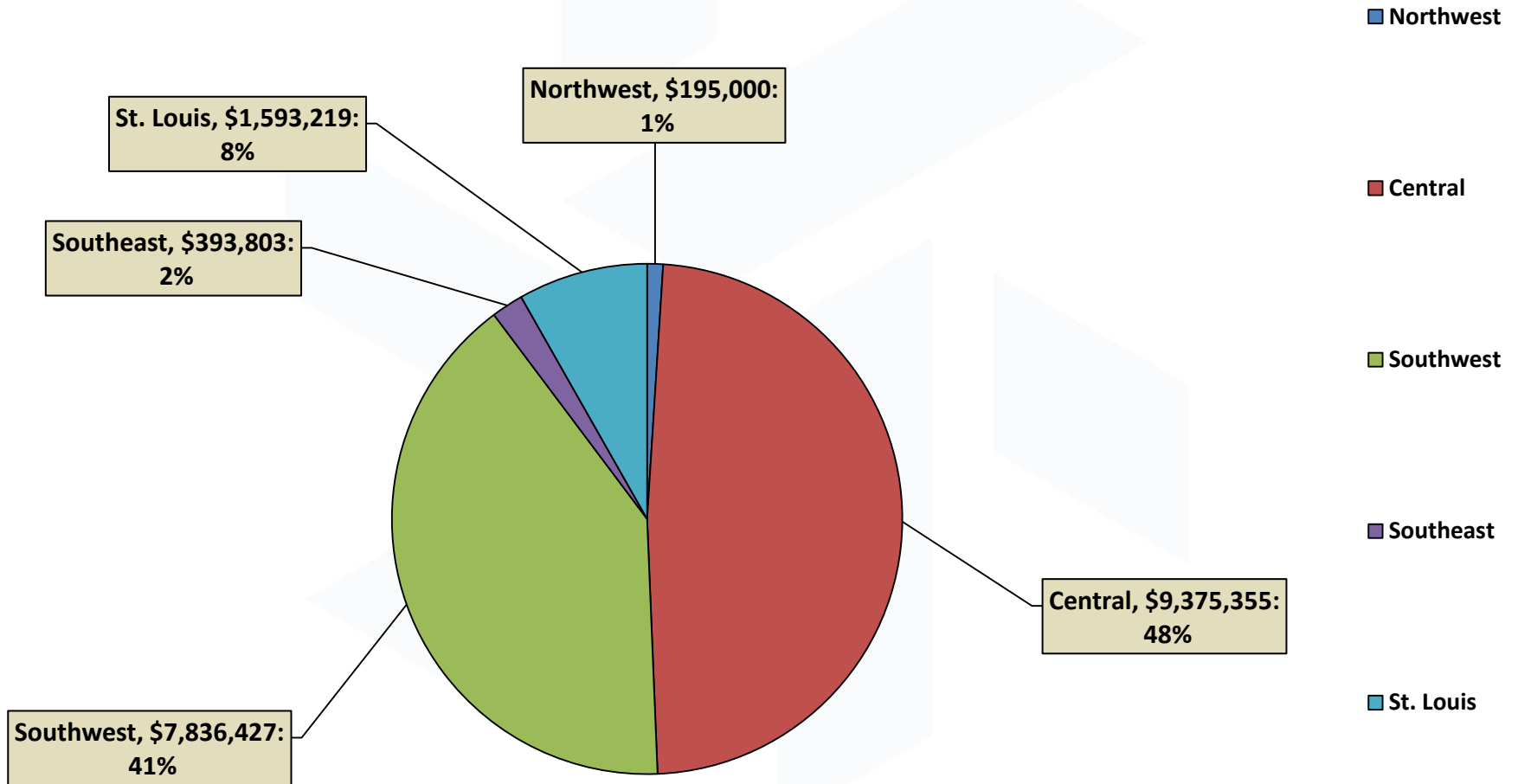
2013 Agriculture by Region

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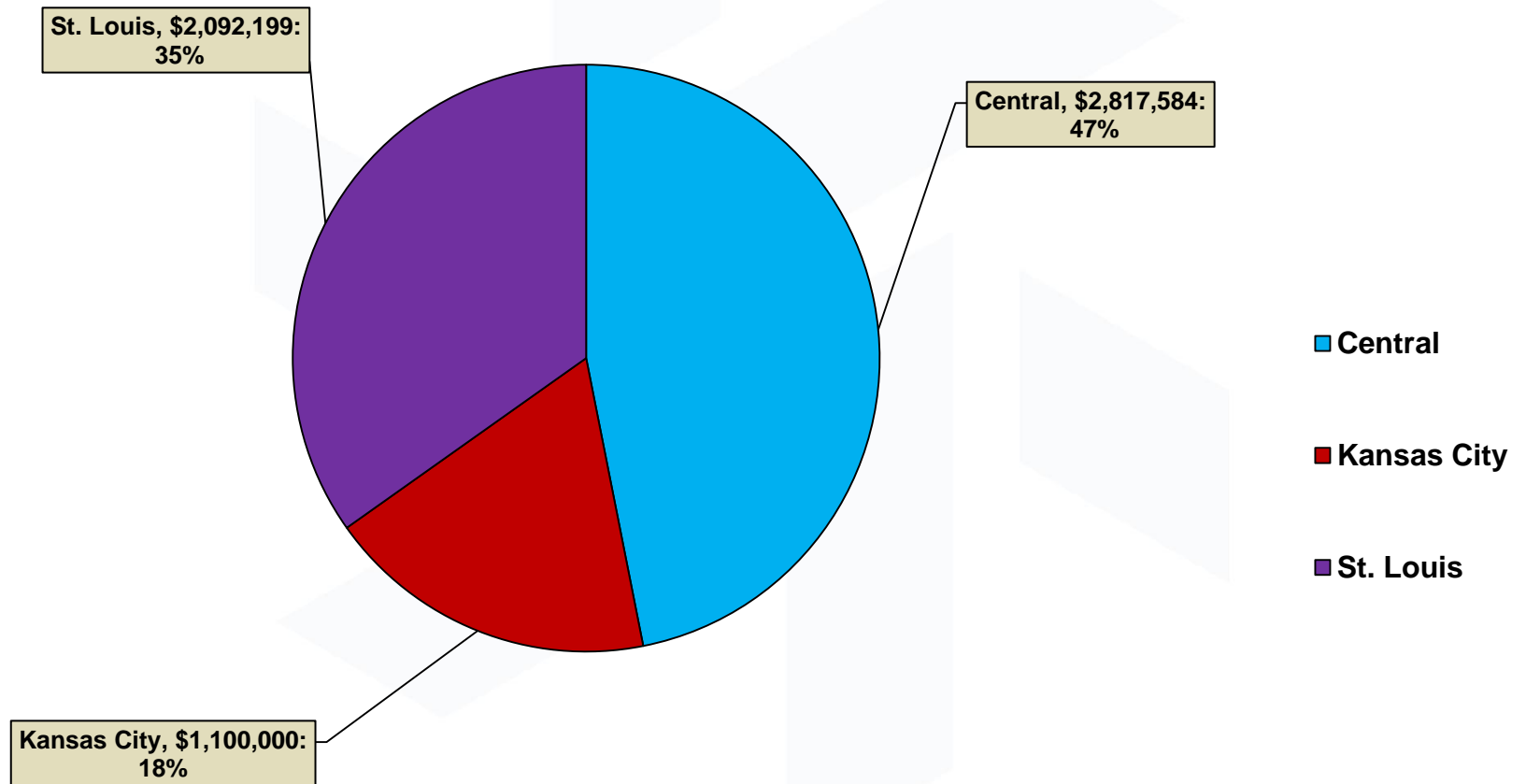


2013 Multi-Family Housing by Region

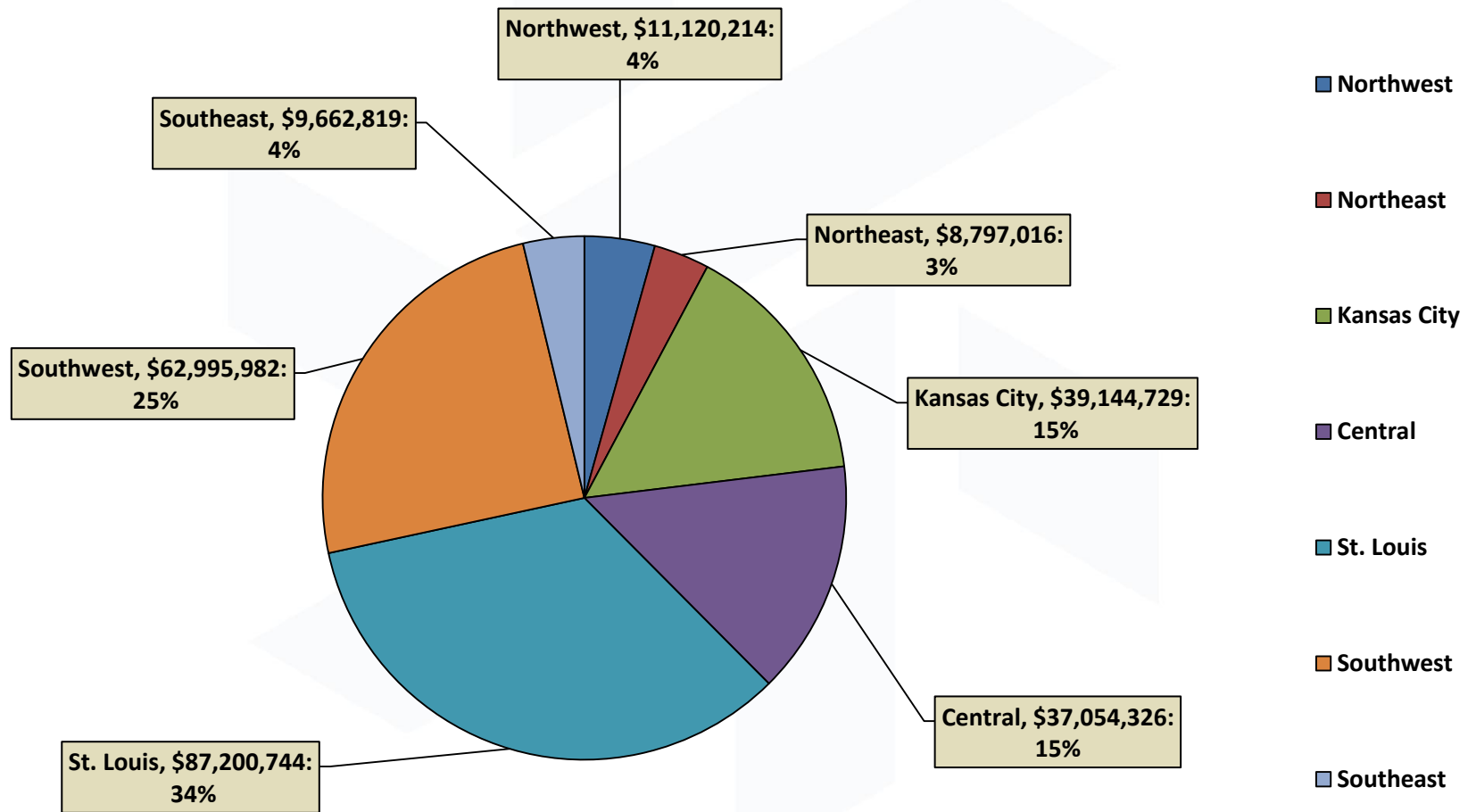
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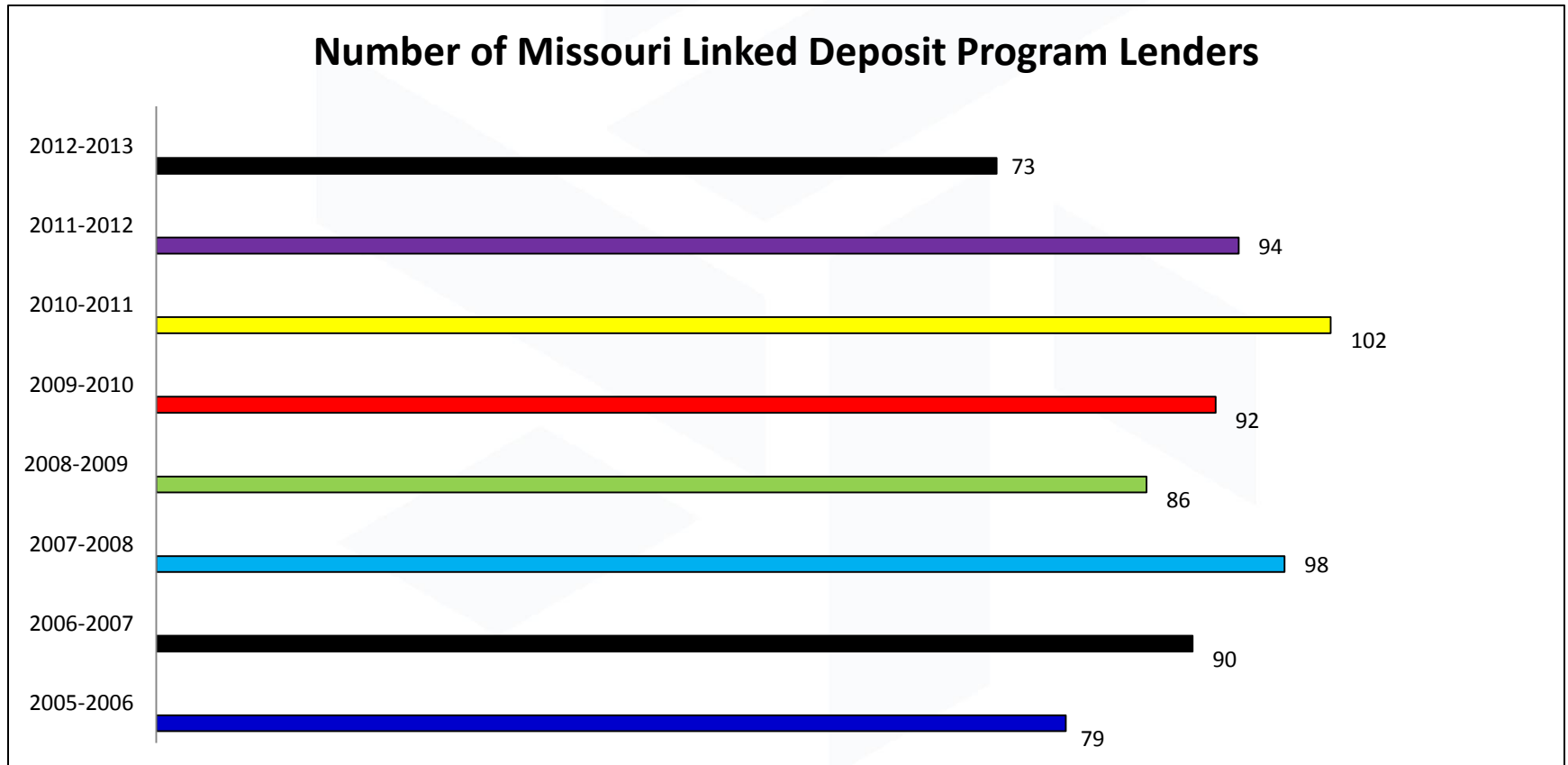
2013 Job Creation by Region



2013 Small Business by Region



Lender Information



Lender Information

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2013 PREFERRED PARTNERS

The Preferred Partners program continues to be popular with Missouri lenders. While all eligible lenders can participate in the Missouri Linked Deposit Program, lenders identified as Preferred Partners have at least 1% of their asset size in active Missouri Linked Deposit Program loans. Preferred Partners are well educated in Missouri Linked Deposit Program loan requirements and eligibility.

During PY 2013 one lender was added to the Preferred Partner status. OakStar Bank became a Preferred Partner in September 2013, increasing the overall number of Preferred Partners to 28.

| PY 2011 PREFERRED PARTNERS | PY 2012 PREFERRED PARTNERS | PY 2013 PREFERRED PARTNERS |
|--------------------------------------|------------------------------------|------------------------------------|
| Adams Dairy Bank | Adams Dairy Bank | Adams Dairy Bank |
| Bank of Kirksville | Bank of Kirksville | Bank of Kirksville |
| Bank of St. Elizabeth | Bank of Monticello | Bank of Monticello |
| Bank of Monticello | Bank Of St. Elizabeth | Bank Of St. Elizabeth |
| Belgrade State Bank | Belgrade State Bank | Belgrade State Bank |
| Central Bank | Central Bank | Central Bank |
| Citizens Bank of Edina | Citizens Bank of Edina | Citizens Bank of Edina |
| Citizens – Farmers Bank of Cole Camp | Citizens-Farmers Bank of Cole Camp | Citizens-Farmers Bank of Cole Camp |
| Commerce Bank | Commerce Bank | Commerce Bank |
| Community First Bank | Community First Bank | Community First Bank |
| Enterprise Bank & Trust | Enterprise Bank & Trust | Enterprise Bank & Trust |
| FCS Financial | F&C Bank | F&C Bank |
| F&C Bank | FCS Financial | FCS Financial |
| First State Bank of St. Charles | First State Bank of St. Charles | First State Bank of St. Charles |
| Hawthorn Bank | Hawthorn Bank | Hawthorn Bank |
| Independent Farmers Bank | Independent Farmers Bank | Independent Farmers Bank |
| Legends Bank | Legends Bank | Legends Bank |
| Maries County Bank | Maries County Bank | Maries County Bank |
| Mid America Bank | Mid America Bank | Mid America Bank |
| Mid-Missouri Bank | Mid-Missouri Bank | Mid-Missouri Bank |
| O'Bannon Bank | O'Bannon Bank | O'Bannon Bank |
| Paris National Bank | Paris National Bank | OakStar Bank |
| Progressive FCS | Progressive FCS | Paris National Bank |
| Pulaski Bank | Pulaski Bank | Progressive FCS |
| Regional Missouri Bank | Regional Missouri Bank | Pulaski Bank |
| Southern Bank | Southern Bank | Regional Missouri Bank |
| United State Bank | United State Bank | Southern Bank |
| | | United State Bank |